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Fifth annual progress report on the strategic heritage plan of the United Nations Office at Geneva

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions considered the fifth annual progress report of the Secretary-General on the strategic heritage plan of the United Nations Office in Geneva (A/73/395). The Committee also had before it the report of the Board of Auditors on the strategic heritage plan for the year ended 31 December 2017 (A/73/157). During its consideration of the above-mentioned reports, the Advisory Committee met with members of the Audit Operations Committee of the Board of Auditors and the representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 15 October 2018.

2. The Secretary-General indicates that his report is submitted pursuant to section V of General Assembly resolution 68/247 A, section III of Assembly resolution 69/262 A, section X of Assembly resolution 70/248 A, section XVIII of Assembly resolution 71/272 A and section XVI of Assembly resolution 72/262 A. The Secretary-General further indicates that the report summarizes the planning and construction-related actions accomplished since 1 September 2017, and that the financial information contained in the report is based upon the available data as at 31 July 2018.

II. Project governance and oversight

3. Section II of the report, which provides an update on project governance, states that the Advisory Board held four meetings (October 2017, and February, June and September 2018) to discuss key issues related to the project, such as the implementation of flexible workplace strategies, including ventilation and cooling in the historic Palais des Nations buildings and the progress of valorization activities,

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and that the Steering Committee held three meetings (January, June and August 2018) (A/73/395, paras. 3 and 4).

4. The report also states that following a recommendation from the Board of Auditors and in line with paragraph 8 of the report of the Advisory Committee on the third annual progress report on the strategic heritage plan (A/71/622), the risk management services contract was amended to fully distinguish between: (a) independent quarterly risk management reporting to the governance structures independent of the project team; and (b) integrated monthly risk management reviews that are carried out as an integral part of the work of project management team.

5. In addition, the report indicates that the Board of Auditors conducted two further extensive audits of the strategic heritage plan, from 18 September to 20 October 2017 and 29 January to 9 February 2018. The Board has issued 13 new main recommendations in its latest report (see A/73/157). The Board indicates that the recommendations made in its first report (A/70/569, para. 81) have been fully implemented or closed (A/73/157, para. 15). **The Advisory Committee trusts that the recommendations issued in the Board's most recent report will be implemented fully and expeditiously.**

III. Progress of the project

6. The report provides an update on project progress, including: (a) the awarding and signing of a contract and the start and continuation of construction work for the new permanent building H and the completion of work to reinforce the roof of the underground car park in building E; (b) the completion of detailed design work and near completion of technical design activities for the full tender for the renovation of the historic buildings to be launched in the last quarter of 2018; (c) the publication of the request for expressions of interest for the renovation contract of the historic buildings, following significant outreach; (d) the completion of the prequalification selection process of bidders and the preparation of the contract schedules, specifications and tender documentation; (e) the redesign of the internal floor layouts of the new permanent building H to fully incorporate flexible workplace strategies; (f) the further detailed refinement of business continuity plans; (g) the further development of the phasing strategy for staff moves to and from the swing space created within the new building H; and (h) the initiation of change management activities related to the implementation of flexible workplace strategies (A/73/395, para. 12).

7. The report of the Secretary-General states that the project is proceeding in line with the overall schedule, with some delay in the construction of the new H building owing to unforeseen and problematic soil conditions, which required the redesign of the foundations and the introduction of retaining walls in some areas. The report further states that the time delays are being mitigated as much as possible through agreed value engineering proposals with the contractor, and that the related costs are currently being contained within the overall budget allocation for the new building work and within the overall project programme. (A/73/395, para. 13).

8. The report of the Board of Auditors provides detailed information on project activities under each of the three sections of the construction work of the strategic heritage plan, namely: the construction of the new building H; the renovation of the historic 1930s buildings; and the work relating to building E (A/73/157, para. 87). The report also identifies a number of interdependencies between the three components and points to areas where there are risks of further delays. With regard to the construction of new building H, the Board notes that construction work started about seven weeks later than planned and that further delays may arise related to the

implementation of flexible workplace strategies. It notes that the delays in the completion of building H, which is to serve as a swing space, could have an impact on the overall completion date of the project (ibid., paras. 89–110). With regard to the renovation work, table 1 of the Board's report provides a summary of the key milestones and the evolution of the planning in the project schedule since 2016. The Board notes that the overall project schedule has become significantly tighter since 2016, with no buffer time between the completion date for the construction work envisaged by the strategic heritage plan team and the latest completion date approved by the General Assembly in its resolution 70/248 A and reaffirmed in its resolution 72/262 A. Upon enquiry, the Advisory Committee was informed by the Audit Operations Committee that significant mitigation steps were required to alleviate potential delays, but that in view of the fact that construction work was still at an early stage, opportunities remained for mitigation measures and meeting the overall completion date of the strategic heritage plan by December 2023.

9. **The Advisory Committee is concerned by the increased risks to the project schedule and expects that the requisite mitigation measures to alleviate potential risks of delays will be taken in a timely manner. The Committee stresses the need for rigorous project management and close monitoring of areas of risk and vulnerability. It also emphasizes the important roles and responsibilities of the project owner and of the Steering Committee in guiding and overseeing the management of the implementation of the project, facilitating decision-making and the prompt resolution of issues and ensuring the project's progress within the established timeline and budget (see A/72/7/Add.25, para. 11).**

10. With regard to project scope and heritage preservation considerations, the Advisory Committee was informed, upon enquiry, that the subdivision of room XII in building A into three rooms, previously proposed as a solution to replace the two dedicated conference rooms in the Palais Wilson, which would no longer be available, would no longer be necessary because two additional conference rooms are being created: the first through the voluntary contribution of the Government of China; the second through the creation of a dedicated area for press agencies, which currently occupy a conference room. **The Advisory Committee welcomes this development.**

A. Flexible workplace strategies and space efficiency

New office building H

11. The report of the Secretary-General indicates that the application to all floors of the new building H of an average ratio of four workstations for five staff (1:1.25) that is being applied at United Nations Headquarters and planned for offices away from Headquarters[1] entailed a revision of the planned allocation of office space to the various organizational units and a redesign of the floor layouts. The report further indicates that this exercise was conducted within the baseline budget and that the final revised technical design documents have been provided to the contractor (A/73/395, paras. 19 and 20).

Existing Palais des Nations buildings

12. With regard to ventilation and cooling in the existing Palais des Nations buildings, the report of the Secretary-General indicates that, based on the recommendation of the project Steering Committee, a working group composed of subject matter experts from both the United Nations Office at Geneva and

[1] See resolution 71/282, para. 2, and the related report of the Advisory Committee (A/71/812, para. 19).

Headquarters in New York was set up to further monitor and review the situation (see also A/72/7/Add.25, para. 17, and General Assembly resolution 72/262 A, sect. XVI, para. 2). The report provides some information on the previously observed trend of rising temperatures in Switzerland, and also indicates that this trend accelerated in 2018, with the longest and warmest weather noted since recordkeeping began in 1864. The report states that if the trend continues at the pace it has for the past 30 years, it is essential that cooling be introduced in order to avoid disruption to operations during the more frequent and extended hot periods, as well as to address the current risks to the well-being and productivity of staff and delegates posed by rising temperatures and ensure a healthier working environment for the future (A/73/395, paras. 21–23, and figure IV).

13. The report further states that the most cost-effective way to introduce ventilation and cooling, while fully taking into consideration the heritage preservation imperatives, would be to create more open space and larger shared office spaces, where appropriate, which, in turn, would also allow the implementation of flexible workplaces in some areas of the existing buildings of the Palais des Nations. The report of the Secretary-General states that the renovation of the existing buildings presents greater challenges in implementing flexible workplace strategies, given the structural, technical and heritage characteristics of the existing buildings, the heritage and historical preservation imperatives and the need for a cost-effective renovation to create a modern, healthy, productive and efficient office space. In addition, it is stated that the project team has engaged two specialist heritage consultants to monitor and ensure adherence to the identified heritage preservation imperatives and that the detailed design has also been shared with the heritage authorities of the Canton of Geneva for their review and comments. The report affirms that the technical design process has documented and respected all the key elements of the heritage imperatives identified by the heritage experts as well as the physical, structural and technical considerations of the existing buildings. Figure V of the report indicates, for illustrative purposes, areas of heritage and technical limitations and areas available for implementation of flexible workplace strategies in level 1 of the existing buildings S, C and D.

14. The report presents two options for the introduction of ventilation and cooling in the Palais buildings, as follows:

(a) Under the first option, the work would be undertaken as part of the strategic heritage plan project at an estimated cost of CHF 67 million. The report states that this amount is higher than the requirements estimated under the scenario presented in the fourth progress report of the Secretary-General (A/72/521, paras. 26–33) because the technical designs for the historic Palais buildings and the tender documents, which have already been completed, would have to be carried out again, with the resulting office layout revisions having to be negotiated directly with the contractor who will have been appointed for the renovation works by the time the redesign work is finished. The report further states that these actions would result in an estimated extension of the overall project schedule by a period of an additional 9 to 12 months, which have been factored into the cost estimate of CHF 67 million (A/73/395, paras. 28 and 29).

(b) Under the second option the work would be carried out at a later date under a separate project. The Secretary-General has submitted an estimate for illustrative purposes, based on an assumption of a start date of 2028, which would have an estimated cost of CHF 108 million. The report states that this option would not have an impact on the schedule of the strategic heritage plan but would require the recruitment of a new project management team, a completely new set of design and construction contracts and a new implementation strategy that includes the provision of swing space (ibid., para. 30).

15. Upon enquiry, the Advisory Committee was informed that the prevailing practice in Geneva for new and newly renovated buildings is that they are equipped with mechanical ventilation and cooling systems using renewable energy such as lake water. Examples include the recent construction of new buildings by the International Federation of the Red Cross in 2018, and by the World Health Organization, which is scheduled for completion in 2020, as well as the renovation of the existing buildings of the International Labour Organization and the World Health Organization, scheduled in 2019 and 2022, respectively.

16. The Advisory Committee was further informed, upon enquiry, that the Palais des Nations currently has mechanical cooling and ventilation for all of the conference rooms in buildings A, C and E, and that the additional ventilation and cooling proposed in the current report of the Secretary-General concerned administrative areas only, including the totality of the S, D and B buildings, all offices in building C and most offices in building A. The Committee was further informed that building E in its entirety is mechanically ventilated and cooled as it was built in the 1970s when this was the prevailing practice.

17. **The Advisory Committee notes that the introduction of the requirement for ventilation and cooling in the historical buildings of the Palais des Nations represents an expansion of the scope of the strategic heritage plan. The Committee is of the view that it would have been more appropriate if the requirements for ventilation and cooling had been included in the initial plan presented to the General Assembly and the related requirements included as part of the loan request for the renovation of the Palais. The Advisory Committee trusts that the need for rigorous and thorough planning of all aspects of capital projects should be included in the lessons learned from the strategic heritage plan.**

18. **In view of the Secretary-General's statement that it is essential for cooling to be introduced to address the current risks to the well-being and productivity of staff and delegates (see para. 12 above), the Advisory Committee recommends that the General Assembly authorize the Secretary-General to proceed with the implementation of ventilation and cooling at the Palais des Nations.**

19. **With regard to timing considerations, the Advisory Committee is of the view that the postponement of the or introduction of ventilation and cooling work and the creation of a separate project after completion of the strategic heritage plan would be more disadvantageous for the Organization than the proposed alternative. Accordingly, the Committee recommends that the General Assembly authorize the Secretary-General to implement the work as part of the strategic heritage plan project (see para. 14 (a) above) and use this window of opportunity to limit the costs and ensure that staff and delegates can benefit from ventilation and cooling as soon as the renovation of the Palais des Nations is complete.**

20. With regard to the estimated costs, the Advisory Committee recalls that the additional resources under the scenario presented in the fourth progress report of the Secretary-General were estimated to range between CHF 40 million to 50 million (A/72/521, para. 31). As indicated above, an estimate of CHF 67 million is presented in the current report of the Secretary-General. **The Advisory Committee is of the view that there is a need for greater clarity regarding the estimated requirements, including a detailed breakdown of the costs related to the introduction of the ventilation and cooling system in the historical buildings of the Palais des Nations. The Committee recommends that the General Assembly request the Secretary-General to seek greater efficiency and complementarity with ongoing activities under the strategic heritage plan and to refine and reduce the estimated resource requirements.**

21. The Secretary-General proposes to finance the estimated additional requirements of CHF 67 million through valorization income in order to offset, over the life time of the project, any related appropriations from Member States. For 2019, however, he states that additional appropriations and assessments on Member States in the amount of CHF 10 million are required, as shown in table 1 of the report. With regard to the utilization of valorization income, the Advisory Committee recalls that, in its resolution 72/262 A, the General Assembly decided that all income from the rental or valorization of land owned by the Organization in Geneva would be reflected under income section 2, General income, of the programme budget for the biennium 2018–2019. **In view of the foregoing, the Advisory Committee considers that the Secretary-General should explore different options and seek alternative funding sources for the additional resource requirements, including value engineering, efficiencies and voluntary contributions.**

22. The Advisory Committee recalls that, in its resolution 72/262 A, the General Assembly requested the Secretary-General to ensure that the application of flexible workplace strategies at the Palais des Nations took into account staff welfare and productivity, the physical characteristics and the specific heritage preservation needs, as well as ongoing business transformation initiatives, in a cost-effective manner (resolution 72/262 A, sect. XVI, para. 9). In the same resolution, the Assembly also endorsed the recommendations of the Advisory Committee in its fourth annual report on the strategic heritage plan (A/72/7/Add.25), to proceed with the construction of the new building with the full implementation of flexible workplace strategies, but not to proceed with the proposed essential design and construction works to introduce mechanical ventilation with cooling, which would be necessary for the cost-effective implementation of flexible workplace strategies for the renovation of the historic Palais office buildings (ibid., para. 37: see also A/73/395, para. 18), and the Advisory Committee's recommendation that the Secretary-General continue to monitor the situation (A/72/7/Add.25, paras. 16 and 17). **In view of the foregoing, the Advisory Committee considers that the General Assembly should be provided with information on the implementation of ventilation and cooling in the Palais des Nations both with and without flexible workplace strategies. Taking into account that the report of the Secretary-General proposes to introduce ventilation and cooling along with flexible workplace strategies, the Committee trusts that the Secretary-General will also provide to the Assembly, at the time of its consideration of the fifth progress report on the strategic heritage plan, information on the implementation of ventilation and cooling in the Palais without flexible workplace strategies for consideration and decision by the Assembly.**

23. **The Advisory Committee recommends that the General Assembly request the Secretary-General to present a detailed proposal for the financing of ventilation and cooling systems in the historical buildings of the Palais des Nations in his next progress report, taking into account its observations and recommendations in paragraphs 20, 21 and 22 above. Pending a decision of the Assembly on this matter, and in order to allow the design work to commence and avoid further delays and risks to the schedule of the strategic heritage plan project, the Committee recommends that the Assembly authorize the Secretary-General to enter into commitments up to an amount of CHF 10 million for the requirements of the project in 2019 (see para. 50 below).**

B. Attracting additional United Nations entities to the Palais

24. Information on the action under way to attract additional United Nations entities to the Palais des Nations is provided in the report of the Secretary-General (A/73/395,

paras. 39 and 40). It is indicated that an offer to accommodate the staff of the United Nations Children's Fund (UNICEF) in the new building H upon its completion has been conveyed, as additional floor space has been freed up by the implementation of flexible workplace strategies. In addition, the Secretary-General continues to actively engage with other United Nations entities with a presence in Geneva to encourage them to become future tenants of the Palais des Nations. **The Advisory Committee encourages the Secretary-General to continue to explore the possibility of attracting additional United Nations entities to be accommodated at the renovated Palais des Nations.**

25. With regard to the additional personnel of any new tenants that could be accommodated and the rental income that could be generated by increased capacity, the report of the Secretary-General states that the feasibility study proposed in the fourth progress report of the Secretary-General is required in order to provide an accurate estimate of the potential number of additional personnel that could be accommodated by opening up the spaces suitable for flexible workplace strategies (A/73/395, paras. 21, 32 and 34). Upon enquiry, the Advisory Committee was informed that, in the absence of the above-mentioned feasibility study, the best available estimate of potential rental income available per annum remained at the amount of $2.7 million per year, as indicated in table 9 of the fourth progress report.

C. Measures to eliminate physical, communications and technical barriers to persons with disabilities

26. The report of the Secretary-General provides an update on the measures to eliminate physical, communications and technical barriers to persons with disabilities. The report states that, pursuant to section X, paragraph 30, of resolution 70/248 A, section XVIII, paragraph 13, of resolution 71/272 A and section XVI, paragraph 10, of resolution 72/262 A, a full and comprehensive accessibility master plan was provided by a specialist consultancy firm, and accessibility audits have been and continue to be implemented throughout the various design stages for both the new and existing buildings.

27. Upon request for further details on the accessibility master plan referred to in paragraph 41 of the report of the Secretary-General, the Advisory Committee was informed that a comprehensive and detailed scope of work had been developed, including, but not limited to, improvements to the main entrances, the elevators, the staircases, the restrooms and to amenity and office areas, as follows: (a) the main accessible entrances will be equipped with intercoms, and defined indoor paths in the main halls and corridors will be equipped with guiding systems and purpose-built lighting and tactile signage; (b) the main elevators will be improved and/or replaced, ensuring adequate manoeuvring space and sufficient door width for a wheelchair, as well as intercom availability; (c) the staircases located along main indoor routes will be fitted with tactile and contrasted markings, such as handrails with information in Braille; (d) the existing restrooms will be improved to be code-compliant and additional ones will be created with sufficient manoeuvring space, easy-to-open doors and required accessories and intercom installations; and (e) the interior fit-out of amenity and office areas will include sufficient manoeuvring space, tactile information strips and suitable height for furniture, equipment and installations such as electrical sockets and switches. **The Advisory Committee commends the United Nations Office at Geneva for the efforts it has made towards eliminating barriers to persons with disabilities and trusts that it will continue to pursue such efforts. The Committee looks forward to receiving updates on this matter in future progress reports of the Secretary-General. The Committee discusses the above**

issues further in its report on the pattern of conferences (A/73/458) and on the capital master plan (A/73/468).

IV. Project costs

28. Table 2 of the report of the Secretary-General shows the projected summary cost plan for the strategic heritage plan project from 2014 to 2024, and a summary of the main changes to the cost plan since the previous progress report (A/72/521) is provided in paragraphs 66 to 68 of the report. These include a decrease under construction/renovation costs of the historic buildings of the Palais and E building (CHF 20.2 million) and increases under associated costs (CHF 4.5 million) and consultancy services (CHF 16.1 million) (see para. 30 below). The report further indicates that escalation costs, which would decrease by CHF 4.3 million, have remained at 1.4 per cent for 2019 and 1.6 per cent per year from 2020 onwards, and have not been calculated on project costs that have already been contracted and committed at the date of the issuance of the report (A/73/395, para. 70). The amount of the projected contingency has also been revised downwards as compared with the previous report based on the contingency management strategy explained in paragraphs 77 to 86 of the report of the Secretary-General.

29. As indicated in tables 3 and 4 of the report of the Secretary-General (see also A/73/395, para. 71), actual cumulative project expenditure for the period from 2014 to 31 July 2018 amounted to CHF 131.2 million and the projected expenditures for the remainder of 2018 are estimated at CHF 13.5 million. A further breakdown of costs by type for each funding source, provided in annex I to the report of the Secretary-General, shows that cumulative expenditures against the approved funding from Member States for the period 2014–2018 amounted to CHF 95.2 million as at 31 July 2018 and that projected expenditures for the period from August to December 2018 are estimated at CHF 6.5 million. Approved funding projected to be drawn from the Swiss loan for the 2014–2018 period is estimated at CHF 42.5 million.

30. With regard to the additional requirement of CHF 16.1 million proposed in the revised cost plan for consultancy services (see para. 28 above), the Advisory Committee was informed that the increase was mainly due to the change in implementation strategy for the renovation works in the historical Palais des Nations buildings, namely the decision to complete the design prior to tendering for construction. Under the baseline implementation strategy, technical design costs were expected to be a responsibility of the main contractor and budgeted under construction and renovation costs. However, with the change in the implementation strategy additional design costs had to be provided for the hiring of a specialized design firm to complete the technical design. The Committee was further informed that the new implementation strategy had also resulted in a significant reduction in risk and in contingency requirements.

V. Project financing

Host country loan agreement

31. The report of the Secretary-General states that the interest-free loan package of CHF 400 million was forecast to be assigned for the new building and for renovation works at the estimated amounts of CHF 125.1 million and CHF 274.9 million, respectively, but that the final assignment values of the loan can only be determined once the actual costs for the new building are known, upon project completion. At that stage, and in accordance with the loan agreement, any remaining balance from the new building loan portion will be applied to the renovation of the existing

buildings, if applicable (A/73/395, para. 75). The report also indicates that the utilization of the loan commenced in 2017 and will be used to fund all eligible costs for the new building, including the costs of construction and consultancy services. From 2019 onwards, the loan will be used to fund part of the eligible costs for the renovation works of the existing buildings, related consultancy services and the dismantling of the building E office tower. Any remaining costs related to construction and consultancy services for the renovation of the existing buildings would be covered by Member States' appropriations and/or donations (ibid., para. 91 (b)). The report further states that, according to the latest project schedule, the 50-year loan repayment for the loan portion applied to the new permanent building H will begin at the end of 2020, when the new building will be occupied, and the repayment of the renovation portion of the loan will start upon completion of the renovation works. In its report, the Board of Auditors recommends that special attention be given to the importance of the decision on the modalities for appropriation and assessment of the funds required for the repayment of the Swiss loan (A/73/157, para. 83).

32. **The Advisory Committee reiterates its appreciation for the continued support offered by the Government of Switzerland for the strategic heritage plan.**

Scheme and currency of appropriation and assessment and multi-year special account

33. The General Assembly, in its resolution 72/262, decided to revert to the establishment of an assessment scheme and currency of appropriation and assessment for the strategic heritage plan at the main part of its seventy-third session and requested the Secretary-General to provide updated detailed information on these issues in his next report. The report of the Secretary-General states that the three possible schemes of appropriation and assessment for the project (one-time up-front appropriation and assessment; multi-year appropriations and assessments; or one-time up-front appropriation with a mix of one-time and multi-year assessments), as well as two options for the currency of appropriation and assessment (the United States dollar or the Swiss franc), remain valid (A/73/395, para. 89). Figures XI, XII and XIII of the report provide updated charts on the three options, and detailed information on expenditures by funding source is provided in annex I to the report. The report also highlights the fact that the project is now near its midpoint and that it will be necessary to enter into significant high-value multi-year construction contracts, which extend beyond one budget year. In its report, the Board of Auditors recommends that the Secretary-General underline the importance of a decision to be taken by the General Assembly at its seventy-third session regarding the scheme and currency of appropriation and assessment for the strategic heritage plan to secure the financing of the project (A/73/157, para. 82).

34. The Secretary-General proposes that the accounting of the project be undertaken through a multi-year special account, funded through appropriations and assessments separate from the programme budget. The report states that, should the General Assembly decide on appropriations and assessments in Swiss francs, the establishment of a multi-year special account separate from the programme budget would be required. The report also indicates that yearly repayments of the loans would be funded under the special account for the duration of the project until 2023 but would thereafter be included in the programme budget for the relevant periods. The multi-year special account would be closed after the financial and administrative close-out of the project, assuming that assessments would have been paid in full by all Member States (A/73/395, paras. 108–110). The Advisory Committee recalls that it previously recommended the establishment of a multi-year special account for the

strategic heritage plan (see A/71/622, para. 39) and also expressed its view that this remained a matter to be decided by the General Assembly (A/72/7/Add.25, para. 28). The General Assembly, in its resolution 72/262 A, decided to revert to the issue at the main part of its seventy-third session.

35. **The Advisory Committee notes that the project has reached a stage at which there is a need to secure the financing of the project and highlights the importance of a decision by the General Assembly at its seventy-third session on the scheme and currency of appropriation and assessment as well as on the establishment of a multi-year special account. The Committee reiterates its view that the options mentioned above on the scheme and currency of appropriation and on the multi-year special account and assessment constitute policy matters to be decided upon by the Assembly (A/72/7/Add.25, para. 27).**

Alternative funding opportunities

36. The report of the Secretary-General indicates that the United Nations Office at Geneva continues to remain proactive in its efforts to solicit donors to contribute towards the financing of the construction and renovation work at the Palais des Nations. The report provides an update on donations, including secured donations related to the objectives of the strategic heritage plan project, other contributions from Member States in support of the project and further donations offered in the context of the strategic heritage plan, which consist of elements that are not within the scope of the project and therefore would not offset its overall costs (A/73/395, paras. 112–115). **The Advisory Committee welcomes the contributions of individual Member States and other entities, and encourages the Secretary-General to continue to pursue his efforts in this regard.**

37. Upon enquiry as to how the donations were taken into account in the overall budget of the strategic heritage plan, the Advisory Committee was informed that, pending the approval of an appropriation and assessment scheme, the donations related to works that are within the approved scope of the project are recognized in the year when the works they finance are to be conducted, reflecting financing for works that would otherwise have had to be financed by assessments on Member States (see A/73/395, annex I, table A.3, and annex II, table B.1). The Committee was informed that other contributions for works that are not included in the approved scope of the strategic heritage work plan will not lead to a reduction of the budget funded by Member States.

VI. Other related considerations

A. Valorization of United Nations-owned land in Geneva

38. The report of the Secretary-General states that valorization activities are progressing, building upon the experience and lessons learned from the successful negotiation of the Villa Feuillantines lease and taking into account the request of the General Assembly, in its resolution 71/272 A, that the Secretary-General ensure that the long-term interests of the United Nations in Geneva are preserved through long-term community-oriented leasing arrangements, as well as the recommendation in the report of the Board of Auditors that a detailed valorization strategy should be developed for all parcels with valorization potential (A/73/157, para. 344). The report of the Secretary-General states that the procurement and selection of an expert consultancy firm was successfully concluded, with the result that two firms were appointed to cover the broad range of specialist services required on an on-call basis, and that detailed development options are being prepared, to enable the realization of

the valorization potential that is most effective and advantageous for the Organization.

39. With regard to the Villa Feuillantines and Parc des Feuillantines land, the report states that an agreement is to be concluded by the end of 2018 with the Fondation pour la Cité de la Musique de Genève for a 90-year lease with development rights in the total amount of CHF 25.6 million, payable in advance, initially at one ninetieth of the full amount per annum, with the full balance coming due in full when the Fondation receives its building permit (estimated to be in 2021). The detailed terms of the lease agreement were developed by a local law firm in full cooperation with the Office of Legal Affairs (A/73/395, paras. 124 and 125).

40. Figure XIV of the report of the Secretary-General provides an overview of the plots of land owned and/or operated by the United Nations Office at Geneva with significant valorization potential. The report indicates that the International School of Geneva has decided to consolidate its current facilities with those located on nearby sites, and that the possibility of relocating the United Nations Training Centre staff currently housed in the Annex Bocage and to jointly utilize and adapt some of the existing facilities in the main Palais buildings is being explored. These latest developments create the potential to valorize a much larger portion of land, either separately or as a much larger contiguous development plot, by combining it with other adjacent land, resulting in a total area of approximately 7,300 square meters. The report states that, taking into account approximately CHF 25 million of surplus valorization income that is nearly secured for 2020 from the Villa Feuillantines land, it can now realistically be envisaged that the original estimated value range of between CHF 50 million to CHF 100 million can now be increased to an estimated range of approximately CHF 80.6 million to CHF 133 million. The report further states that the valorization work currently under way will develop further potential development scenarios, together with further revised estimates of the amount and timing of the receipt of income to be expected from valorization (A/73/395, para. 128).

41. Upon request for clarification as to the duration of the lease of the Villa Feuillantines and Park Feuillantines, the Advisory Committee was informed that a lease term of 90 years is the legal norm in Switzerland and that it is typical for long-term leases where the party leasing the land wishes to develop the site and erect new buildings at its own expense. The Committee was further informed that the value range achievable for the different plots of land varied, depending on their respective sizes and zoning designations, as well as on other considerations such as the permissible development density and possibility of rezoning, offset by any eventual costs related to the realignment of the security perimeter needed to develop the land. **The Advisory Committee encourages the Secretary-General to explore all possibilities for optimizing the potential income to be generated through the valorization of the different plots of land (see resolution 71/272 A, sect. XVIII, para. 23).**

Utilization of surplus income from valorization activities

42. The Secretary-General is requesting the General Assembly to authorize the use of valorization income to fund the associated costs arising from his request that the Assembly approve the implementation of ventilation and cooling, including flexible workplace strategies, in the historic buildings of the Palais des Nations and to offset any Member State appropriations (A/73/395, para. 129). In this connection, the Advisory Committee recalls that, in its resolution 72/262 A, the General Assembly decided that all income from the rental or valorization of land owned by the Organization in Geneva will be reflected under income section 2, General income, of the programme budget for the biennium 2018–2019. The Committee also recalls that,

in its resolution 70/248 A, the Assembly reiterated the importance of ensuring that alternative funding mechanisms, including from valorization, were factored into the overall financing scheme in order to reduce assessments on Member States. As indicated in paragraph 21 above, the Advisory Committee is of the view that the Secretary-General should explore all alternative funding opportunities.

B. Security master plan

43. The report of the Secretary-General outlines considerations related to the security master plan as follows: (a) the United Nations Office at Geneva has continued to actively engage in developing a security master plan for the United Nations premises in Geneva in close liaison with the Department of Safety and Security; (b) a comprehensive security assessment was undertaken and a final report was received in January 2018; (c) the security provisions initially envisaged in the scope of the strategic heritage plan remain valid; (d) while some minor changes are required to bring the design of the project fully in line with the updated security master plan, they will not adversely impact the cost or schedule of the strategic heritage plan; and (e) the related resources requirements for the security master plan are being assessed and prioritized, and will be reported on separately to the General Assembly. In this connection, the Advisory Committee recalls that the Board of Auditors has recommended that the cost for maintenance and for safety and security for the new building should be charged proportionally to all potential users in accordance with their individual needs (A/73/157, para. 318).

44. Upon enquiry, the Advisory Committee was informed that the United Nations Office at Geneva was actively engaging with host country representatives to address the findings of the consultants' report that forms the basis for the security master plan and was also in discussion with potential donors to assess the potential to cover some of the works from voluntary contributions. The Committee was further informed that the Secretary-General will report in detail to the General Assembly once there is greater clarity on the requirements. **The Advisory Committee trusts that the Secretary-General will provide comprehensive information in his report, taking into account all relevant General Assembly resolutions, as well as the observations and recommendation of oversight bodies. The Committee recommends that the Assembly request the Secretary-General to submit his report on the security master plan for the United Nations Office at Geneva for consideration as soon as possible.**

VII. Other matters

A. Procurement

45. Upon enquiry as to the measures that have been taken to respond to paragraph 8 of section XVI of General Assembly resolution 72/262 A, in which the Secretary-General was requested to increase opportunities for vendors from developing countries and countries with economies in transition, the Advisory Committee was informed that the request for expressions of interest for the new building as well as for the renovation tender of the historic buildings was advertised on the website and mobile applications of the United Nations Procurement Division, on the United Nations Global Marketplace, and on the website of the United Nations Office at Geneva. In addition, over 6,000 emails with regard to the construction of the new building and over 20,000 emails regarding the renovation of the historic buildings were sent to companies worldwide who are registered in the Global Marketplace and others who have participated in business seminars on the strategic heritage plan of

the United Nations Office at Geneva requesting them to confirm their interest in participating in the prequalification process. In addition, a note verbale was sent to all Permanent Missions in Geneva, requesting them to raise awareness of the opportunity among their qualified national firms. **The Advisory Committee notes the actions taken, and encourages the Secretary-General to continue to pursue his efforts with a view to further increasing opportunities for vendors from developing countries and countries with economies in transition.**

B. Energy efficiency

46. The report of the Secretary-General indicates that one of the core objectives of the strategic heritage plan is to lower the energy consumption at the Palais des Nations by at least 25 per cent as compared with the 2010 baseline (see also A/66/279, para. 11 (c) (iv)). Upon enquiry as to whether a more ambitious target could have been set, the Advisory Committee was informed that the United Nations Office at Geneva has focused on measures to minimize energy consumption for many years, and that, in this context, the 25 per cent target represented a significant improvement in energy efficiency, building on the substantial improvement the Office had already achieved. The Committee trusts that best practices will be shared all across the Organization and applied, as appropriate. In this regard, the Committee recalls the progress made by the Economic Commission for Latin America and the Caribbean in the area of energy efficiency.

47. In its report, the Board of Auditors notes that the data provided by the Facilities Management Section of the United Nations Office at Geneva and the strategic heritage plan project team regarding energy consumption at the Palais des Nations differ significantly, and is of the view that the currently available data does not constitute a reliable basis for predicting possible energy savings and cost savings. The Board has issued three recommendations related to the establishment of a baseline for the reduction of energy consumption at the start of the implementation of the projects, as well as on the quality of data on energy consumption (A/73/157, paras. 259, 261 and 262). **The Advisory Committee emphasises the importance of establishing a clear baseline with detailed and comparable data both on energy consumption and energy costs that can be used to measure improvements achieved after completion of the project in an objective and reliable manner. The Committee trusts that the Secretary-General will implement the recommendations of the Board of Auditors.**

C. Maintenance

48. The Board of Auditors discusses maintenance issues in paragraphs 264 to 273 of its report and makes a number of recommendations related to the need for a maintenance strategy, the calculation of maintenance and operational costs, as well as on business continuity requirements through all construction/project phases. Upon enquiry, the Advisory Committee was provided with the following table on the annual maintenance cost for the premises of the United Nations Office at Geneva in the biennium 2018–2019.

(In United States dollars)

Description	*Actual annual cost for 2018–2019*
Cleaning	3 007 235
Utilities	2 610 979
Parks, gardens and landscaping	355 265
Mechanical, electrical and plumbing	3 813 928
Elevators and other lifting equipment	194 177
Security installations*	1 305 906
Total	**11 287 489**

* Under section 33 of the proposed programme budget for the biennium 2018–2019 (A/72/6/Sect.33).

49. The Advisory Committee was informed, upon enquiry, that the current maintenance figures did not provide an accurate baseline, which is needed to produce a reliable estimation of the maintenance costs that can be expected both during and after the renovation periods, because historically, the maintenance budget assigned had not been sufficient to maintain and conduct periodic renewal of all components of the Palais des Nations buildings. **The Advisory Committee trusts that the Secretary-General will continue to refine the above figures for maintenance costs in 2018–2019 and beyond, and to gather the necessary data that can be used to make accurate comparisons of such costs and requirements in the future. The Committee further considers that such data should be gathered in the context of all construction projects for the purpose of establishing a reliable baseline for making comparisons of maintenance pre- and post-project implementation.**

VIII. Conclusions and recommendations

50. The action to be taken by the General Assembly is set out in paragraph 135 of the report of the Secretary-General. **The Advisory Committee recommends that, subject to its recommendations and comments above, including in paragraphs 20, 21, 22 and 23 above, the Assembly:**

(a) **Take note of the fifth annual progress report of the Secretary-General (A/73/395) and the progress made since the issuance of the fourth annual progress report (A/72/521);**

(b) **Approve the request of the Secretary-General to proceed with the implementation of ventilation and cooling in the historic buildings of the Palais des Nations, and authorize the Secretary-General to enter into commitments for this purpose up to a total amount of $10 million for the requirements of the ventilation and cooling works in 2019.**